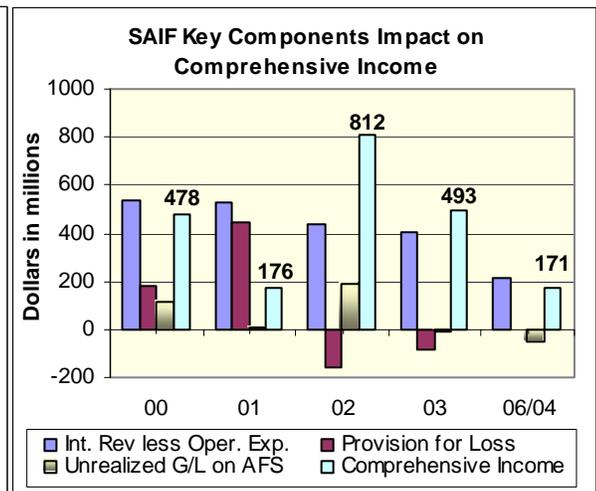
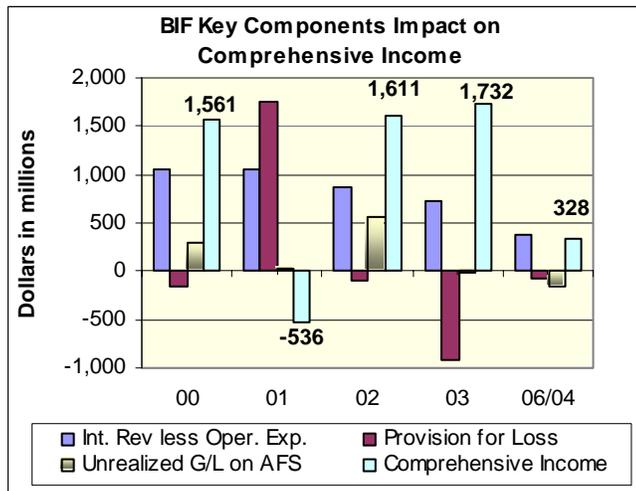
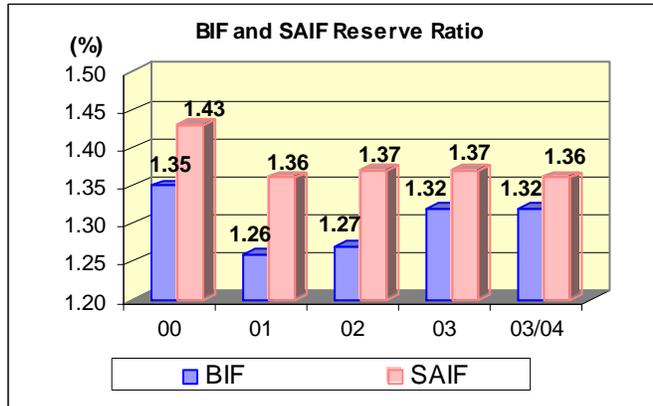




Financial Analysis Report

Second Quarter 2004

- BIF's comprehensive income declined by \$54 million, or 14%, during the 2nd quarter, bringing total comprehensive income for the six months ending June 30 to \$328 million.
- One BIF-Insured institution failed during the second quarter.
- SAIF's comprehensive income rose by \$17 million, or 11%, during the 2nd quarter, bringing total comprehensive income for the six months ending June 30 to \$171 million.



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Significant Financial Events

For the Six Months Ending June 30, 2004

Bank Insurance Fund (BIF):

- BIF's comprehensive income was \$328 million for the six months ending June 2004, compared to \$750 million for the same period last year. This reduction of \$422 million was due to a decrease in unrealized gains on available-for-sale securities of \$298 million and a reduction in net income of \$124 million. The decline in net income primarily resulted from 1) a smaller negative adjustment to the provision for loss of \$69 million at June 2004, compared to a negative \$142 million adjustment for the same period last year; 2) higher operating expenses of \$23 million; and 3) a decrease in interest revenue of \$37 million.
- Receivables from bank resolutions decreased by \$116 million to \$395 million during the first six months of 2004. The decrease was primarily attributable to recoveries of \$195 million from payments made to cover obligations to insured depositors of failed banks. This was offset by 1) a \$12 million increase in the allowance for loss and 2) payments of \$66 million to cover obligations to insured depositors of the three banks that failed during 2004, with total assets at failure of \$151 million.
- BIF's reserve ratio was 1.32% at March 31, 2004, unchanged from December 31, 2003. During the first quarter the fund balance increased by \$382 million, or 1.1%, while the estimated insured deposits increased by \$33 billion, or 1.3%.
- Assets in liquidation decreased by \$34 million to \$313 million since year-end 2003. This is primarily due to \$105 million in disposition of assets, offset by \$71 million in new assets from three failures in 2004. Seventy percent of the reduction in assets, or \$73 million, was in receiverships created from five large failures in the previous two years. These five large failures were Hamilton Bank, Next Bank, Connecticut Bank of Commerce, Southern Pacific Bank, and The First National Bank of Blanchardville.

Savings Association Insurance Fund (SAIF):

- Comprehensive income was \$171 million for the six months ending June 2004, compared to \$336 million for the same period last year. This decrease of \$165 million is primarily due to 1) a decline in unrealized gains on available-for-sale securities of \$96 million, and 2) a smaller negative adjustment to the provision for loss of \$1 million at June 2004, compared to a

negative \$66 million adjustment for the same period last year.

- Net receivables from thrift resolutions increased by \$1 million to \$274 million during the first six months of 2004. One thrift failed during 2004; SAIF made a payment of \$6 million to cover obligations to insured depositors, of which \$5 million was subsequently recovered.
- Based on first quarter data the SAIF's reserve ratio declined one basis point from 1.37% at December 31, 2003 to 1.36% at March 31, 2004. During the first quarter the fund balance increased by \$154 million, or 1.3%, while estimated insured deposits increased by \$17 billion, or 1.9%.

FSLIC Resolution Fund (FRF):

- As of June 30, 2004, the liability associated with future Goodwill and Guarini litigation judgments and/or settlements cannot be reasonably estimated.

Guarini Litigation

To date, there have been eight "Guarini" cases. One of these cases was settled during 2002 for \$20 thousand. Further, there have been adverse liability determinations in seven cases; of these seven, there have been final decisions in five. The United States Court of Federal Claims has entered an award for the plaintiffs in four of these cases. In the fifth case, the Court awarded no damages; plaintiff has filed a Motion for Reconsideration of this decision. Four cases are on appeal; in the fifth, the time for filing an appeal has not yet run.

- FRF's comprehensive income was \$32 million for the six months ending June 30, 2004, primarily due to interest on U.S. Treasury obligations and activity related to the termination of the final securitization deal in March 2004. These securitizations were investments made by the former RTC in receivership assets.
- FRF paid \$14.5 million (including principal of \$6.2 million and interest of \$8.3 million) to Washington Mutual (WAMU) for overpayment of shared tax benefits FRF received in prior years. WAMU settled its dispute with the IRS regarding the amount of net operating losses it was entitled to utilize. This liability for the obligation to refund the overpayment was accrued by FRF at year-end 2003.

STATISTICAL HIGHLIGHTS

Dollars in Millions

	BIF (Unaudited)		SAIF (Unaudited)	
	06/30/04	06/30/03	06/30/04	06/30/03
Number of Failures, YTD	3	2	1	0
Total Corporate Outlays, YTD	\$ 132	\$ 879	\$ 6	\$ 0
Total Estimated Corporate Losses, YTD	\$ (\$14)	\$ 110	\$ 0	\$ 0
Total Assets at Failure (Current Year)	\$ 151	\$ 1,088	\$ 15	\$ 0
Assets in Liquidation (3)	\$ 313	\$ 657	\$ 329	\$ 402
	03/31/04	03/31/03	03/31/04	03/31/03
March 2004/2003 Reserve Ratio (1)	1.32%	1.27%	1.36%	1.37%
March 2004/2003 Fund Balance	\$ 34,164	\$ 32,382	\$ 12,394	\$ 11,906
Estimated Insured Deposits	\$ 2,586,816 (a)	\$ 2,546,146 (a)	\$ 914,214 (a)	\$ 867,848 (a)
Fund Balance Sensitivity (2)	\$ 259	\$ 255	\$ 91	\$ 87
Deposit Base Sensitivity (2)	\$ 19,730	\$ 20,188	\$ 6,794	\$ 6,392
Total Insured Institutions	7,949 (a)	8,114 (a)	1,181 (a)	1,216 (a)

(1) The Reserve Ratio is equal to the first quarter Fund Balance divided by the first quarter Estimated Insured Deposits. The Statutorily established Designated Reserve Ratio is 1.25%.

(2) Fund Balance Sensitivity is the impact of one basis point change in reserve ratio on fund balance, with deposit base constant. Deposit Base Sensitivity is the impact of one basis point decline in reserve ratio on deposit base, with fund balance constant.

(3) Assets in liquidation is the total book value of the noncash assets to be liquidated for all active receiverships and is the main source of repayment of the receivables from closed banks and thrifts.

(a) Source: FDIC Quarterly Banking Profile First Quarter 2004. BIF figure includes 14 and 18 U.S. branches of foreign banks for 2004 and 2003, respectively.

Dollars in Millions

BIF YTD Failures

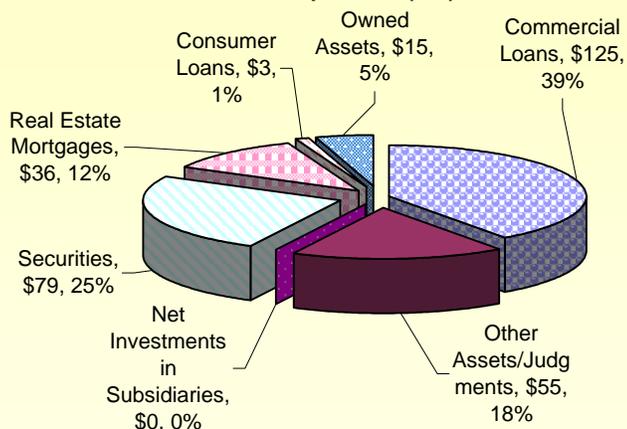
	Assets at Failure	Estimated Losses
Guaranty National Bank of Tallahassee	\$78	\$0
Reliance Bank	\$27	\$0
Bank of Ephraim	\$46	\$14
Total	\$151	\$14

SAIF YTD Failures

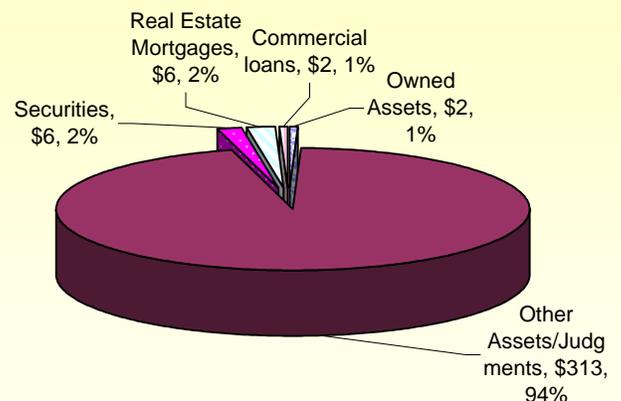
Dollar Savings Bank	\$15	\$0
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Dollars in Millions

Assets in Liquidation (BIF)



Assets in Liquidation (SAIF)



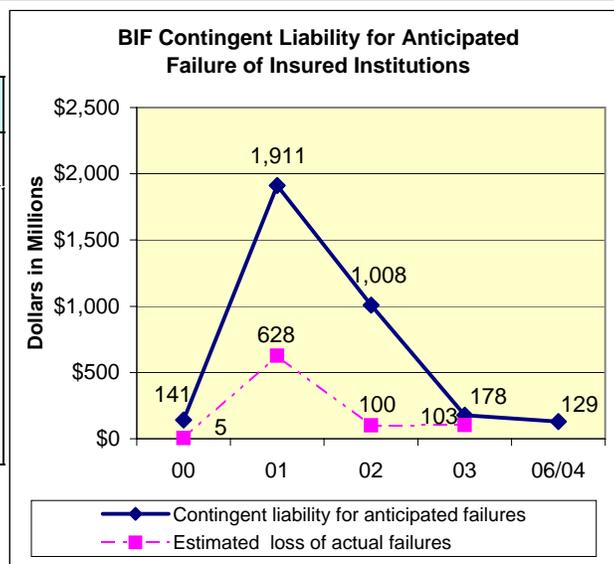
Bank Insurance Fund Balance Sheets June 2004

Dollars in Millions

	(Unaudited) June 30 2004	December 31 2003	(Unaudited) June 30 2003
Assets			
Cash and cash equivalents	\$ 1,696	\$ 2,544	\$ 3,395
<i>Investment in U.S. Treasury obligations, net</i>			
Held-to-maturity securities	19,437	16,293	16,621
Available-for-sale securities	12,262	14,210	12,600
Interest receivable on investments and other assets, net	589	551	480
Receivables from bank resolutions, net	395	511	623
Property and equipment, net	317	288	286
Total Assets	34,696	34,397	34,005
Liabilities			
Accounts payable and other liabilities	256	232	211
<i>Contingent Liabilities for:</i>			
Anticipated failure of insured institutions	129	178	785
Litigation losses and other	201	205	209
Total Liabilities	586	615	1,205
Fund Balance			
Accumulated net income	33,465	32,980	31,847
Unrealized gain on available-for-sale securities, net	645	802	953
Total Fund Balance	34,110	33,782	32,800
Total Liabilities and Fund Balance	\$ 34,696	\$ 34,397	\$ 34,005

Investment Portfolio Total Returns			
Period	BIF	Merrill Lynch 1-10 Yr U.S. Treasury Index	Variance
Year-to-Date (01/01/04 - 06/30/04)	0.542%	-0.215%	0.757%
For the Year Ending 12/31/2003	3.042%	2.131%	0.911%
01/01/01 - 06/30/04	5.763%	5.388%	0.375%

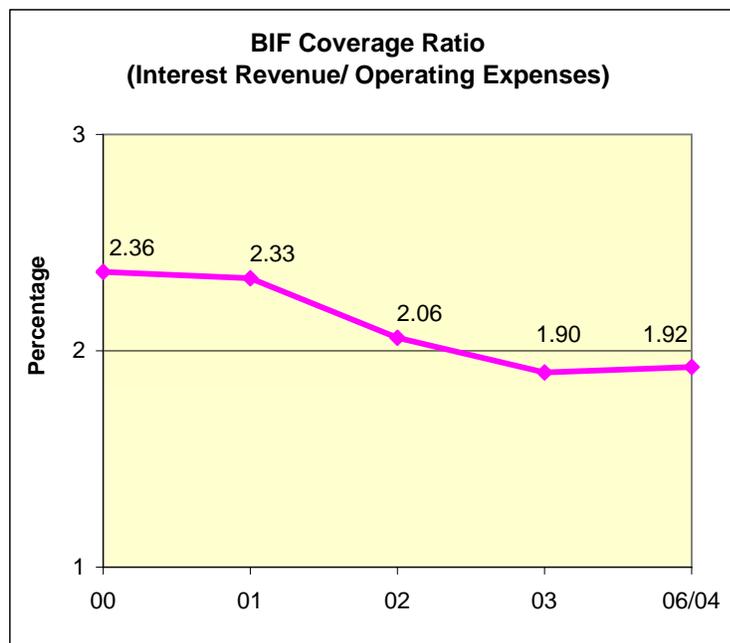
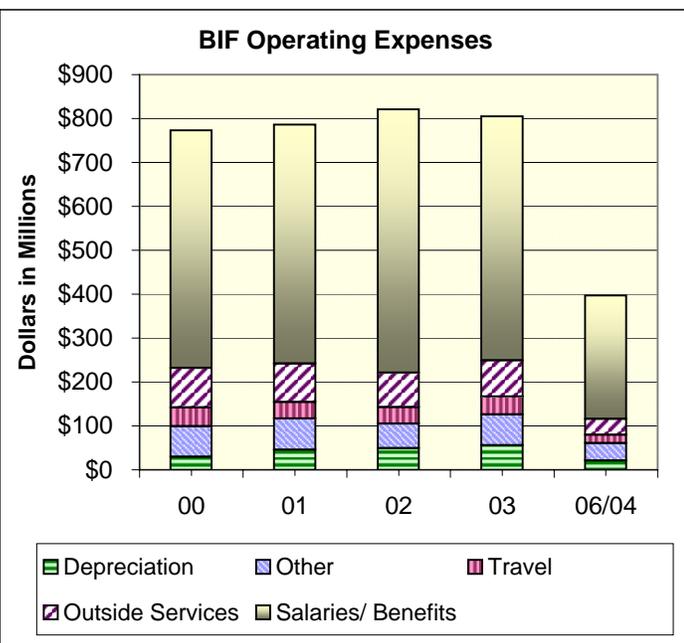
Source: Monthly Investment Status Report - June 2004



This graph compares the contingent liability to the estimated losses for the banks that failed in the subsequent twelve months.

Bank Insurance Fund Statements of Income and Fund Balance June 2004

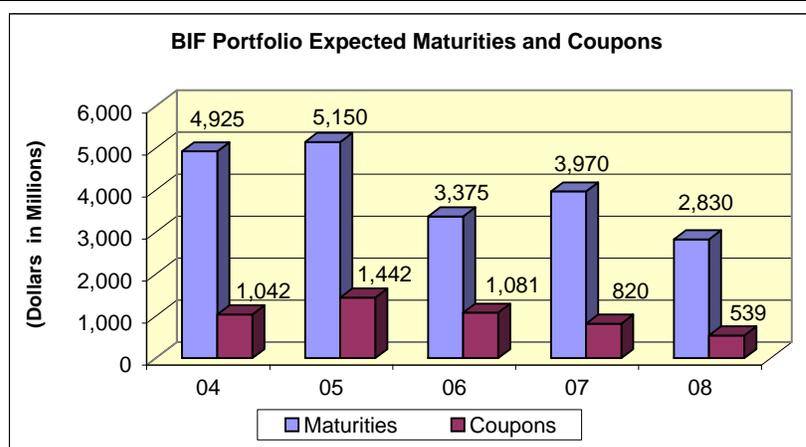
Dollars in Millions	Year-to-Date			(Unaudited) For the Quarter Ending June:	
	(Unaudited) June 30	December 31	(Unaudited) June 30	2004	2003
	2004	2003	2003		
Revenue					
Interest on U.S. Treasury obligations	\$ 764	\$ 1,530	\$ 801	\$ 424	\$ 425
Assessments	38	80	38	19	19
Other revenue	14	16	9	11	4
Total Revenue	816	1,626	848	454	448
Expenses and Losses					
Operating expenses	397	805	374	207	199
Provision for insurance losses	(69)	(931)	(142)	(32)	(133)
Interest and other insurance expenses	3	10	7	1	2
Total Expenses and Losses	331	(116)	239	176	68
Net Income	485	1,742	609	278	380
Unrealized (loss)/gain on available-for-sale securities, net (current period)	(157)	(10)	141	(332)	38
Comprehensive Income	328	1,732	750	(54)	418
Fund Balance - Beginning	33,782	32,050	32,050	34,164	32,382
Fund Balance - Ending	\$ 34,110	\$ 33,782	\$ 32,800	\$ 34,110	\$ 32,800



Bank Insurance Fund Statements of Cash Flows June 2004

Dollars in Millions

	(Unaudited) <u>June 30</u> <u>2004</u>	<u>December 31</u> <u>2003</u>	(Unaudited) <u>June 30</u> <u>2003</u>
<u>Operating Activities</u>			
Net Income:	\$ 485	\$ 1,742	\$ 609
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization of U.S. Treasury obligations	393	456	150
TIIS Inflation Adjustment	(92)	(115)	(77)
Depreciation on property and equipment	27	55	27
Provision for losses	(69)	(931)	(142)
Retirement of property and equipment	0	1	0
Changes in Operating Assets and Liabilities			
(Increase) Decrease in interest receivable and other assets	(31)	(70)	2
(Increase) Decrease in receivables from bank resolutions	128	102	(190)
Increase in accounts payable and other liabilities	22	85	74
Decrease in contingent liabilities for litigation losses and other	0	(25)	(24)
Net Cash Provided by Investing Activities	863	1,300	429
<u>Investing Activities</u>			
<i>Provided by:</i>			
Maturity of U.S. Treasury obligations, held-to-maturity	1,210	3,890	1,285
Maturity or sale of U.S. Treasury obligations, available-for-sale	3,040	1,690	720
<i>Used by:</i>			
Purchase of property and equipment	(57)	(43)	(22)
Purchase of U.S. Treasury obligations, held-to-maturity	(4,483)	(3,660)	(1,259)
Purchase of U.S. Treasury obligations, available-for-sale	(1,421)	(5,240)	(2,365)
Net Cash Used by Investing Activities	(1,711)	(3,363)	(1,641)
Net Decrease in Cash and Cash Equivalents	(848)	(2,063)	(1,212)
Cash and Cash Equivalents - Beginning	2,544	4,607	4,607
Cash and Cash Equivalents - Ending	\$ 1,696	\$ 2,544	\$ 3,395



Savings Association Insurance Fund Balance Sheets June 2004

Dollars in Millions

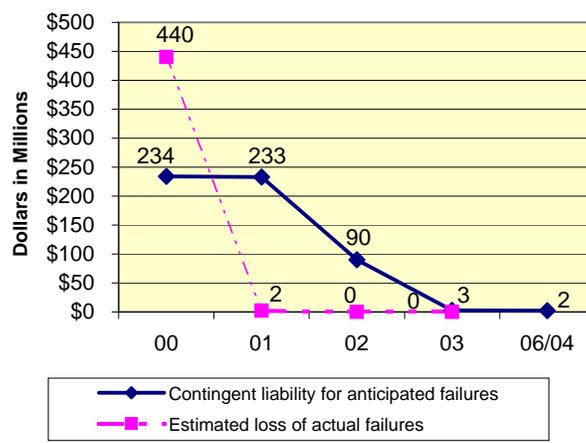
	(Unaudited) June 30 2004	December 31 2003	(Unaudited) June 30 2003
Assets			
Cash and cash equivalents - unrestricted	\$ 434	\$ 827	\$ 1,445
Cash and other assets - restricted for SAIF-member exit fees	323	319	315
<i>Investment in U.S. Treasury obligations, net</i>			
Held-to-maturity securities	7,896	6,824	6,050
Available-for-sale securities	3,624	4,152	4,186
Interest receivable on investments and other assets, net	204	189	160
Receivables from thrift resolutions, net	274	273	287
Total Assets	\$ 12,755	\$ 12,584	\$ 12,443
Liabilities			
Accounts payable and other liabilities	\$ 19	\$ 21	\$ 18
<i>Contingent Liabilities for:</i>			
Anticipated failure of insured institutions	2	3	26
Litigation losses	0	1	1
SAIF-member exit fees and investment proceeds held in escrow	323	319	315
Total Liabilities	344	344	360
Fund Balance			
Accumulated net income	12,187	11,966	11,756
Unrealized gain on available-for-sale securities, net	224	274	327
Total Fund Balance	12,411	12,240	12,083
Total Liabilities and Fund Balance	\$ 12,755	\$ 12,584	\$ 12,443

Investment Portfolio Total Returns

Period	SAIF	Merrill Lynch 1-10 Yr U.S. Treasury Index	Variance
Year-to-Date (01/01/04 - 06/30/04)	0.464%	-0.215%	0.679%
For the Year Ending 12/31/2003	3.010%	2.131%	0.879%
01/01/01 - 06/30/04	5.904%	5.388%	0.516%

Source: Monthly Investment Status Report - June 2004

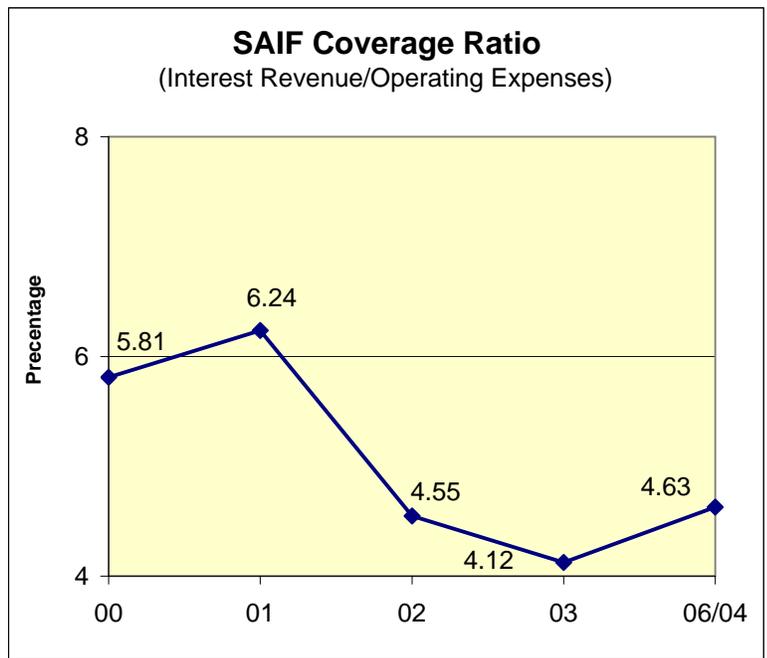
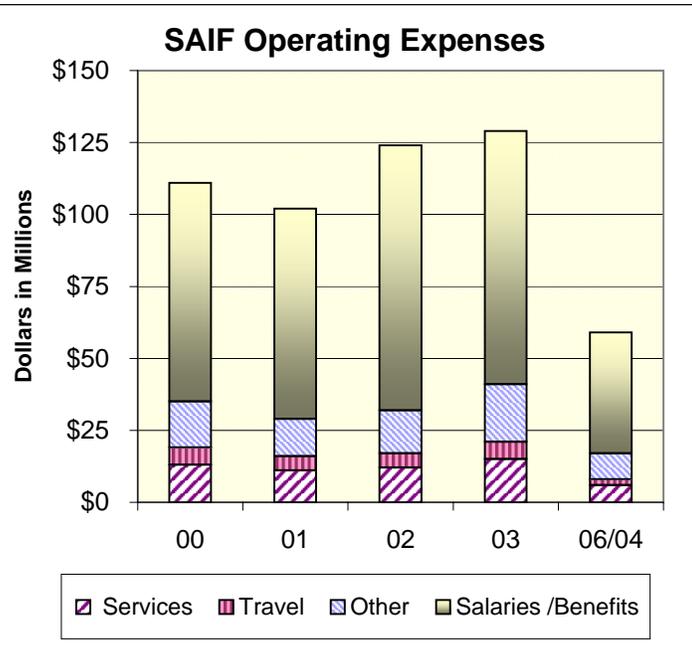
SAIF Contingent Liability for Anticipated Failure of Insured Institutions



This graph compares the contingent liability to the estimated losses for the thrifts that failed in the subsequent twelve months.

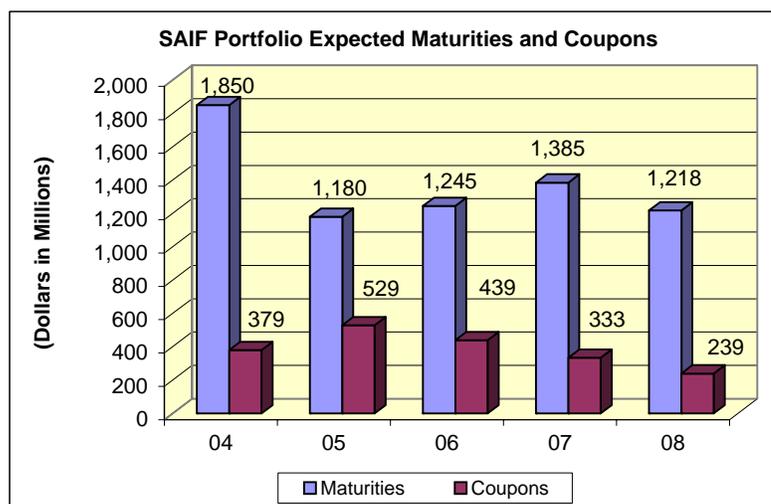
Savings Association Insurance Fund Statements of Income and Fund Balance June 2004

Dollars in Millions	<u>Year-to-Date:</u>			<u>(Unaudited)</u> <u>For the Quarter Ending June:</u>	
	<u>(Unaudited)</u> <u>June 30</u>	<u>December 31</u>	<u>(Unaudited)</u> <u>June 30</u>	<u>2004</u>	<u>2003</u>
	<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Revenue					
Interest on U.S. Treasury obligations	\$ 273	\$ 532	\$ 276	\$ 151	\$ 146
Assessments	6	15	8	3	4
Other revenue	0	0	1	0	1
Total Revenue	279	547	285	154	151
Expenses and Losses					
Operating expenses	59	129	61	30	32
Provision for insurance losses	(1)	(82)	(66)	(2)	(45)
Other expenses	0	0	0	0	0
Total Expenses and Losses	58	47	(5)	28	(13)
Net Income	221	500	290	126	164
Unrealized (loss)/gain on available-for-sale securities, net (current period)	(50)	(7)	46	(109)	13
Comprehensive Income	171	493	336	17	177
Fund Balance - Beginning	12,240	11,747	11,747	12,394	11,906
Fund Balance - Ending	\$ 12,411	\$ 12,240	\$ 12,083	\$ 12,411	\$ 12,083



Savings Association Insurance Fund Statements of Cash Flows June 2004

<i>Dollars in Millions</i>	(Unaudited) <u>June 30</u> <u>2004</u>	<u>December 31</u> <u>2003</u>	(Unaudited) <u>June 30</u> <u>2003</u>
<u>Operating Activities</u>			
Net Income:	\$ 221	\$ 500	\$ 290
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization of U.S. Treasury obligations (unrestricted)	139	156	45
TIIS Inflation Adjustment	(31)	(39)	(26)
Provision for losses	(1)	(82)	(66)
<u>Changes in Operating Assets and Liabilities</u>			
Decrease (Increase) in unamortized premium and discount of U.S. Treasury obligations (restricted)	0	1	0
Decrease (Increase) in entrance and exit fees receivable, including interest receivable on investments and other assets	(18)	(33)	(6)
(Increase) Decrease in receivables from thrift resolutions	(1)	9	3
(Decrease) Increase in accounts payable and other liabilities	(1)	13	11
Increase (Decrease) in exit fees and investment proceeds held in escrow	4	7	4
Net Cash Provided by Investing Activities	312	532	255
<u>Investing Activities</u>			
<i>Provided by:</i>			
Maturity of U.S. Treasury obligations, held-to-maturity	725	1,170	325
Maturity or sale of U.S. Treasury obligations, available-for-sale	455	575	300
<i>Used by:</i>			
Purchase of U.S. Treasury obligations, held-to-maturity	(1,960)	(2,305)	(629)
Purchase of U.S. Treasury obligations, available-for-sale	0	(1,008)	(673)
Net Cash Provided by Investing Activities	(780)	(1,568)	(677)
Net Decrease in Cash and Cash Equivalents	(468)	(1,036)	(422)
Cash and Cash Equivalents - Beginning	1,059	2,095	2,095
Unrestricted Cash and Cash Equivalents - Ending	434	827	1,445
Restricted Cash and Cash Equivalents - Ending	157	232	228
Cash and Cash Equivalents - Ending	\$ 591	\$ 1,059	\$ 1,673



FSLIC Resolution Fund Condensed Financial Statements June 2004

Dollars in Millions

	(Unaudited) <u>June 30</u> <u>2004</u>	<u>December 31</u> <u>2003</u>	(Unaudited) <u>June 30</u> <u>2003</u>
<u>Operating Results</u>			
Total Revenue	\$ 87	\$ 50	\$ 27
Operating expenses	10	28	13
Provision for losses	(3)	(33)	(10)
Expenses for goodwill settlements and litigation	(5)	15	(19)
Comprehensive Income	\$ 32	\$ 51	\$ 51
<u>Financial Condition</u>			
Cash and cash equivalents	\$ 3,379	\$ 3,278	\$ 3,260
Receivables from thrift resolutions and other assets, net	92	109	112
Investment in Securitization-Related Assets	24	90	95
Accumulated Deficit, net	(122,890)	(122,922)	(122,922)
Resolution Equity	\$ 3,488	\$ 3,456	\$ 3,456

Dollars in Millions

